

Global Human Resource Solutions

Technology & Information Retention Approach *The New Employee Compact*

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The Business Challenge

Retention is increasing as a leading concern of senior managers of Technology and Information companies as the new millennium approaches.

➤ Causes for Concern:

- Intensified Mergers and Acquisitions activity.
- Fierce competition at all levels, particularly those with "hot skills."
- E-Commerce changing the market landscape.
- New work force attitudes – "Boomers" and "Generation Xers."
- New work force demographics – 15% decline in 35 to 44 year olds in the next fifteen years.
- Advantageous access to capital is more focused on the technology sector .
- Decreased employee loyalty
- The lure of the technology sector....."get involved while it lasts"
- 27 year olds with 25 years of experience are a management challenge.

Technology and Information organizations who leverage human capital for competitive advantage are creating a *New Employee Compact*.

GHRS Experience in the Technology and Information Sectors

Global Human Resources Solutions, based on external benchmarks and our own Retention engagement experience in Technology and Information companies indicates the following.

➤ Engagement Findings

- Approximately 60% of those surveyed were actively looking for a position at the time we surveyed.
- 75% indicated that they would be with the company for less than 2 years
- 60% indicated that they would leave their current job to follow a good "mentor", over 1/2 of these would do so for less money *if the mentors were involved with "new" technology advances.*
- 75% are unaware of their career path and virtually all of them believe the potential is better being "hired in" vs. "groomed"
- Over 90% indicated that they felt proficient in their role, but not as sanguine that their present environment was the best to showcase their talents.
- 100% indicated that they could do better financially in an alternative commercial sector
- *100% indicated that if they left that they would be harder to replace than they were to hire...and more expensive economically than their current compensation.*
- The average turnover in the sector is 24%
- 46% of new hires leave in the first 12 months

Replacement Costs Highlight the Magnitude of the Retention Problem

PricewaterhouseCoopers research on the cost of replacement, both tangible and opportunity cost driven, illustrates the economic rationale for concern.

Career Profile

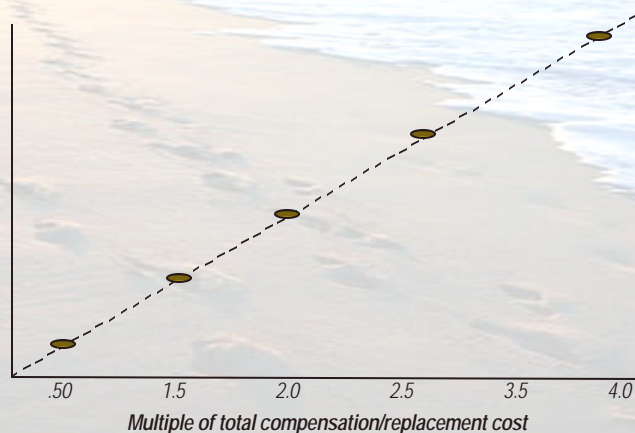
Very "Hot Skills"

Senior Management/
"Hot Skills"

Managers

Individual Contributors
and Middle Management

Non-Exempt



The above reflects loss of money, and the likelihood that the average IQ of the workforce has diminished. The impact on **customer loyalty** is incalculable.

PricewaterhouseCoopers LLP Retention Hierarchy

PricewaterhouseCoopers research on the hierarchy of employee "wants," indicate the following six principle considerations:

Retention Hierarchy

- **Learning Opportunity** – The opportunities created by the organization to improve intellectual capital.
- **Competitive Compensation** – Reassurance that compensation is competitive with the external marketplace and there is a direct linkage of performance to incentives.
- **Career Opportunity** – Visibility of career progression within the organization and a recognition that the developmental activities provided promote internal career interests but are also transferable.
- **Quality of Management Mentoring** – The recognition that "someone" has accepted on a proactive basis the responsibility for development of skills and there is an organized approach for doing so.
- **Firm Reputation** – Reputation of the firm within its industry for innovation and progressive human capital practices.
- **Employee Benefits** – The appropriate array by employee life cycle of employee benefits (e.g., retirement post-age 45).

The New Employee Compact – Retention Model

To reduce employee turnover, organizations need a holistic approach focused on all elements of the *employment experience*.



The New Employee Compact

Employees Want

- An entrepreneurial environment
- Strong skill development opportunities
- High visibility in the organization
- Career mentoring – more discretion in job creation
- Work life balance
- Flexibility
- Competitive compensation and benefits
- Recognition for the unique contribution
- A piece of the action

Employers Want

- A "Just-In-Time" workforce
- Creativity, with speed
- High productivity and morale
- To retain and motivate the best and brightest
- To pay only for performance
- A low promise of job security
- Adaptability to change
- Protection of employer intellectual capital



GHRS Retention Strategy – Value Chain Consulting Intervention Approach

GHRS services are organized to intervene at various points in the Retention Value Chain.



<u>Value Chain Stage</u>	<u>Definition</u>
"As Is" Assessment	Identification of cost of turnover, targeted attrition rate, core competencies, technical skills and work experiences required to succeed in the organization, as well as, inventory of "high potentials."
Sourcing	Identification of sources of new hire candidates.
Selection	The recruitment process from identification of candidate through orientation.
Total Rewards	The economic remuneration for employees.
Skills Development	Integration of all training and development initiatives.
Treatment	Employer – employee interactions and how they compare to employee expectations – organizational climate.
Self Renewal	Codification of "lessons learned" and organizational adaptation through progressive approaches reinforcing retention through the quality of the work experience.

PEOPLE

CULTURE

RETENTION

What the Employer expects

A committed flexible employee population focused on the promotion of enterprise success

The New Employee Compact

What the Employee expects

A positive work environment characterized by supportive leadership, aggressive communication, and commitment to their individual success

PricewaterhouseCoopers Retention Services

- Financial Impact Assessments
- Competency Modeling
- Best Practices Research
- Process Mapping
- Selection Instruments
- Career Development Strategies
- Total Rewards Diagnosis
- Work/Life Balance
- Communications Strategies
- Employee Climate Surveys
- 360-Degree Feedback
- Organization Development
- Assimilation Programs
- Leadership Assessment
- Total Rewards Program Creation

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